

CITY OF BELLEVUE
CITY COUNCIL

Summary Minutes of Extended Study Session

April 19, 2004
6:00 p.m.

Mercer Room, Winters Estate
Bellevue, Washington

PRESENT: Mayor Marshall, Deputy Mayor Noble, and Councilmembers Balducci, Chelminiak¹, Davidson, Degginger, and Lee²

ABSENT: None.

1. Executive Session

The meeting was called to order at 6:00 p.m. by Mayor Marshall, who presided. There was no Executive Session.

2. Study Session

(a) 2005-2006 Operating Budget and 2005-2011 Capital Investment Program (CIP) Plan

(1) Introduction

City Manager Steve Sarkozy recalled that the budget process was redesigned beginning with the 2002-2003 budget to provide greater opportunity for Council involvement early in the process. This strategy continues with an even greater emphasis on early involvement for the current 2005-2006 budget process. Mr. Sarkozy said modifications to the budget are needed due to the lagging economy. Tonight's meeting will review the budget history and prepare for upcoming discussion in Council Study Sessions.

Mr. Sarkozy reviewed the proposed 2005-2006 operating budget development process:

- April 19 Budget Workshop – General Fund outlook, budget balancing history, emerging issues, budget survey, principles/policies, information requests, and general discussion.

¹ Mr. Chelminiak arrived at 6:22 p.m.

² Mr. Lee arrived at 6:40 p.m.

- Study Session discussions in the coming months for departmental overviews and operational policy issues, opportunities and potential demands, threats and concerns, principles/policies, and Council information requests.
- July 12 Budget Workshop – Preliminary direction to staff regarding resources, expenditures, and policies.
- October 4 Budget Workshop – Final budget direction.
- October 25 – Preliminary Budget presented.
- December 6 – Budget adoption.

Beginning tonight, staff will keep a running list of emerging issues and budget priorities to be addressed throughout the budget process.

(2) Operating Budget

Finance Director Jan Hawn recalled the Financial Forecast presentation provided to Council on April 12. An update will be provided in June. Ms. Hawn distributed a handout of key risks and issues and noted the potential downside risks of health benefits rates, pension rates, labor negotiation outcomes, municipal court demands, and Initiative 864 to reduce property taxes. Potential positives include resumed development of the Lincoln Square project and overall economic improvement.

Mr. Sarkozy referenced page 2-1 of the Council packet and provided a brief history of budget balancing during the economic downturn of the past few years. Beginning in 2001, actions were taken to bring expenditures in line with reduced resources, impose a soft hiring freeze, and implement efficiency gains. This included the reduction of 4.6 full-time equivalent (FTE) positions as well as leaving 70 positions vacant at the current time.

Responding to Mr. Degginger, Mr. Sarkozy said the City prefers to hold vacant positions rather than impose layoffs. However, some of the vacancies will result in service reductions if they are not eventually filled. Responding to Mr. Chelminiak, Deputy City Manager Ed Oberg said personnel budget allocations must be used within personnel accounts.

Turning to page 4-1 of the Council packet, Mr. Sarkozy reviewed five key principles that guide development of the operating budget and CIP Plan:

1. No new services, unless directed to do so by Council.
2. Maintain Aaa bond rating.
3. Minimize or avoid layoffs if at all possible.
4. No new taxes.
5. No new FTE positions.

He proposed that Council and staff follow the same principles throughout the current budget process.

Responding to Mr. Degginger, Mr. Sarkozy recalled that full implementation of the Finance/Human Resources system replacement project (aka: Enterprise Resource Planning system) will eventually result in the reduction of 18 FTE positions.

Mayor Marshall asked that Council be provided a running list of position vacancies.

Ms. Balducci suggested the implications of reducing FTEs, such as increased overtime usage and reductions in overall service levels, should be considered in determining budget control measures. Deputy Mayor Noble concurred.

Responding to Mr. Noble, Mr. Sarkozy emphasized that the replacement of financial and human resources systems was long overdue for the City. The primary goal was to provide needed financial tracking and management controls but not specifically to reduce staffing.

Mr. Sarkozy feels there is an opportunity within the organization to add FTEs in areas with extensive contracting activity where contracting costs exceed FTE costs. He asked Council to consider this as an option where warranted. Mr. Degginger suggested an increased emphasis on cross training between department staff to handle workload fluctuations.

Moving on, Ms. Hawn referred Council to the section of the packet on financial management policies beginning on page 4-5 of the Council packet. Staff responded to questions of clarification. Policy areas will be discussed in greater detail throughout the budget process.

Mr. Sarkozy noted preliminary budget survey results in Section 5 of the Council packet. Eight of 10 respondents reported they are getting their money's worth for their tax dollar.

Discussion returned to Section 3 of the packet on Emerging Issues. Operating budget priorities include the South Bellevue Community Center, enhanced economic development, future annexations, fire inspection services, Initiative 864 impacts, health care costs, municipal court, BTV capital needs, and the Crossroads Rotary partnership. Councilmembers identified additional issues for consideration:

- Fire staffing proposal (Light force).
- Scoping process and strategy for Economic Development Program/Director.
- Cultural compass proposal.
- Bellevue Downtown Association proposal.
- Human Services funding.
- Downtown circulator.
- Cultural festivals throughout the year.
- Neighborhood celebrations similar to Bellevue 50Fest parties and community events like 4th of July in Downtown Park.
- Neighborhood preservation/reinvestment.
- Small business incubator program.

Mayor Marshall cautioned that the City will continue to experience restricted funding for at least the next budget period. She noted Council's success in funding established "audacious" goals

over the past few years. Mayor Marshall would like to see an increased emphasis on activities for people and pedestrian-friendly environments throughout the community.

At 7:55 p.m., Mayor Marshall declared a break. The meeting resumed at 8:07 p.m.

(3) CIP Plan

Mr. Sarkozy turned to Section 6 of the Council packet regarding the CIP Plan Overview. He suggested Council may want to re-evaluate and re-prioritize projects and programs in the CIP Plan. Mayor Marshall asked staff to provide details to Council about any known public expectations regarding existing projects.

Responding to Mrs. Marshall, Mr. Sarkozy said maintenance and operations costs are included in the budget for CIP projects and re-evaluated on a periodic basis. These costs are funded by a portion of the sales tax and business and occupation tax dedicated to the CIP Plan which are transferred to operating budgets within the General Fund.

Councilmembers expressed frustration that a park bond has not been approved by voters since 1988 and agreed to discuss the issue further in the near future.

Staff distributed a list of CIP projects in various phases of planning and completion. Mr. Sarkozy noted Section 7, Project Status Matrices and Maps, and briefly described the format of the information.

Dr. Davidson requested more information on the appropriate use of and restrictions on the real estate excise tax (REET).

Mr. Sarkozy directed discussion to the list of potential new projects listed on page 8-1 of the packet. Council added the following items:

- Tuckman proposal.
- KidQuest initiative.
- Cascade Water Alliance infrastructure/member dues.
- Downtown parking garages.
- Courts (infrastructure).
- New revenue source for park funding.
- Downtown Implementation Plan funding for park acquisitions and Pedestrian Corridor.
- Connections between convention center, hotels, and retail areas.
- Community arts and cultural facility (incubator type project) or downtown community center.
- METRO site acquisition (adjacent to New City Building).
- King County issues.
- Downtown fire station.
- Provide senior assisted housing within community.

Mr. Sarkozy returned to pages 6-6 (CIP funding alternatives), 6-7 (new capital funding mechanisms), and 6-8 (other funding mechanisms).

Ms. Balducci questioned the cost of a bond measure for the next election. Mr. Chelminiak requested information on the usage of utility tax collections by other jurisdictions.

Mr. Sarkozy suggested looking at fire inspections as a fee-based service. Mr. Degginger noted the fees could be included as part of the local business tax. Mayor Marshall asked staff to provide an analysis of options for Council.

(4) Wrap-up

Mr. Sarkozy summarized this evening's discussion and next steps.

Responding to Mayor Marshall, Council approved the draft letter (provided in desk packet) to the King County Council Growth Management and Unincorporated Areas Committee commenting on the 2004 amendment to the County Comprehensive plan.

At 9:15 p.m., Mayor Marshall declared the meeting adjourned.

Myrna L. Basich
City Clerk

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